

Mulligans Commission

AGENDA • March 12, 2015

City Hall, Executive Conference Room

Members: Deanna Kaufman • Don Shelton • Don Tingey • Doug Brown • Dustin Lewis • Mark Seethaler • Max Shoura

Hello and Get Going

4:30pm

Acknowledge Attendance/Quorum/Visitors

Reference Notes, Actions, and Follow-up issues from prior Meetings

4:35pm • Discussion and Calendar Overview -

- Max Shoura - Schedule of Tasks and Assignments
- Mark - Clarifying Assignments

When	Who	What
Th 3/12/15	All	Mulligans Commission Meeting, 4:30-6:00pm – See Items Below
Tu 3/17/15	Deana	Presentation to City Council in support of Resolution to payoff Bond
Tu 3/17/15	Mark	Sponsor a final-draft resolution to the CC for paying off the Mulligans B
Th 3/19/15	All	Mulligans Commission Meeting, 4:30-6:00pm
Th 3/19/15	DonT/Max/Doug	Presentation to MCM on findings/principles from Y2 Analytics Survey
Th 3/26/15	All	Mulligans Commission Meeting, 4:30-6:00pm
Th 4/2/15	All	Mulligans Commission Meeting, 4:30-6:00pm
Th 4/16/15	All	Mulligans Commission Meeting, 4:30-6:00pm

Confirm Assignments, Next Meeting & Close

5:55pm

Next Meeting: 4:30-6:00pm, Thursday March 19, 2015, Executive Conference Room

Mulligans Commission Meeting Notes • 3/12/15



Mulligans Commission

Recommendation Favoring
Mulligans Bond Payoff April 2015

City Council Meeting, March 17, 2015



Agenda

- Immediate positive financial impacts
 - Interest savings
 - High rate of return
 - Reduction in city debt level
 - Free cash flow
- Cash positive advantages – today and tomorrow
- Investing in open space is good public policy
- Recommendation in favor of Resolution R2015-17

Interest Savings

- After 4/1/2015 the Mulligans bond is callable and can be paid off to **avoid all future principal and interest payments**

\$4,640,000	– payable bonds
<u>- 724,031</u>	– reserve amount
\$3,915,969	– net amount for Mulligans bond payoff

- **No additional fees** assessed, due to call provision
- As much as **\$1,653,562** in interest expense will be **saved** by South Jordan

• Mulligans Commission – Bond Payoff

3/17/2015 3



High Rate of Return

- Discounting the interest savings to 2015 dollars, the present value savings over the remaining life of the bond payments is **\$1,170,525**
- This computes to an internal rate of return of approximately **30%**

• Mulligans Commission – Bond Payoff

3/17/2015 4



Decrease Debt Level, Improve Cash Flow, and Reduce Risk

Payment Date	Principal Payment	Coupon	Interest Payment	Total Pmt
10/1/2015	-	-	\$ 91,868.75	\$ 91,868.75
4/1/2016	\$ 250,000	4.000%	\$ 91,868.75	\$ 341,868.75
10/1/2016	-	-	\$ 94,868.75	\$ 94,868.75
4/1/2017	\$ 260,000	4.000%	\$ 94,868.75	\$ 354,868.75
10/1/2017	-	-	\$ 91,668.75	\$ 91,668.75
4/1/2018	\$ 270,000	5.000%	\$ 91,668.75	\$ 361,668.75
10/1/2018	-	-	\$ 82,918.75	\$ 82,918.75
4/1/2019	\$ 285,000	4.000%	\$ 82,918.75	\$ 367,918.75
10/1/2019	-	-	\$ 77,218.75	\$ 77,218.75
4/1/2020	\$ 295,000	4.000%	\$ 77,218.75	\$ 372,218.75
10/1/2020	-	-	\$ 73,318.75	\$ 73,318.75
4/1/2021	\$ 310,000	4.125%	\$ 73,318.75	\$ 383,318.75
10/1/2021	-	-	\$ 64,925.00	\$ 64,925.00
4/1/2022	\$ 320,000	4.125%	\$ 64,925.00	\$ 384,925.00
10/1/2022	-	-	\$ 58,325.00	\$ 58,325.00
4/1/2023	\$ 335,000	4.250%	\$ 58,325.00	\$ 393,325.00
10/1/2023	-	-	\$ 51,204.25	\$ 51,204.25
4/1/2024	\$ 345,000	4.250%	\$ 51,204.25	\$ 396,204.25
10/1/2024	-	-	\$ 43,875.00	\$ 43,875.00
4/1/2025	\$ 360,000	4.250%	\$ 43,875.00	\$ 403,875.00
10/1/2025	-	-	\$ 36,225.00	\$ 36,225.00
4/1/2026	\$ 375,000	4.500%	\$ 36,225.00	\$ 411,225.00
10/1/2026	-	-	\$ 27,787.50	\$ 27,787.50
4/1/2027	\$ 395,000	4.500%	\$ 27,787.50	\$ 422,787.50
10/1/2027	-	-	\$ 18,000.00	\$ 18,000.00
4/1/2028	\$ 410,000	4.500%	\$ 18,000.00	\$ 428,000.00
10/1/2028	-	-	\$ 9,675.00	\$ 9,675.00
4/1/2029	\$ 430,000	4.500%	\$ 9,675.00	\$ 439,675.00
	\$ 4,640,000	-	\$ 1,653,562.50	\$ 6,293,562.50

• Mulligans Commission – Bond Payoff

- Decrease overall debt level for the city
- Paying off the callable bonds after 4/1/15 frees up a total of **\$6,293,563** (less interim interest due at payment date) through FY2029
- Removes risk that cash shortfalls from Mulligans to pay the bond (~\$450K annually) must be found from other City sources



3/17/2015 5

Advantages – Today and Tomorrow

- Enabling Mulligans to operate cash positive frees up net operating funds for reinvestment:
 - Near term (2015-2016):
 - Facility upgrades
 - Improved service offerings
 - Expanded marketing programs
 - Future: capital improvements, to be determined, that would add to appeal and increase usage and benefit of Mulligans
- Eventually, excess Mulligans cash could:
 - Benefit South Jordan ongoing, contributing surplus cash to the city – something unique for a city recreational operation
 - Contribute to distinctive opportunities (e.g. potential arts endowment) that otherwise would not be afforded from General Fund resources

• Mulligans Commission – Bond Payoff



3/17/2015 6

Good Public Policy

Other municipalities along the Wasatch Front have used general funds to purchase open space for:

- Open space preservation
- Public recreation (hiking, biking, horseback riding, trailheads)
- Geological assets, nature area, and riparian habitat conservation



Corner Canyon



Suncrest



Bonneville Shoreline Preserve



Kilyon Canyon

• Mulligans Commission – Bond Payoff

3/17/2015 7



Examples: Municipal Open Space Initiatives

Municipality	Date	Area	Acreage	Funding	Purpose	Notes
Draper	2005	Corner Canyon	1,021	Bonding and grants	Open space preservation, public recreation (hiking, biking, horseback riding, trailheads)	Salt Lake County holds the permanent conservation easement on the property to prevent future Draper governments from selling the property.
Salt Lake County / Open Space Program	2006	Bonneville Shoreline Preserve	56	Open Space bond program	Trail, nature area, buffer zone between foothills and cities of Salt Lake and South Salt Lake	
Salt Lake County / Open Space Program	2010	Kilyon Canyon	265	Open Space bond program	Preserve geologic assets and old growth conifers; protect riparian habitat; public enjoyment	
Draper	2012	Suncrest	2,400	Re-allocation of capital funds budget; re-financing of other city bonds to take advantage of lower interest rates	Open space, access to trailheads in the mountains; other plans TBD	

• Mulligans Commission – Bond Payoff

3/17/2015 8

Recommendation

- **Positively consider Resolution R2015-19** to pay-off the Mulligans bonds outstanding once callable on April 1, 2015
- Factor the nine supporting arguments in the 'Whereas' clauses
- Reserve the required funding as specified in SECTION 2
- Benefit from debt reduction, interest savings, and a cash-positive, self-sustaining and improved Mulligans Golf & Games



• Mulligans Commission – Bond Payoff

3/17/2015 9



RESOLUTION R2015-19

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOUTH JORDAN, UTAH, RESOLVING ON A PLAN TO FULLY REDEEM THE BONDS OUTSTANDING WHICH ARE COLLATERALIZED BY MULLIGANS GOLF AND GAMES

WHEREAS, Mulligans Golf and Games was purchased by the City of South Jordan on June 29, 2004 and the original 15-year Municipal Building Authority Adjustable Rate Lease Revenue Bonds were refinanced on September 13, 2005; and

WHEREAS, this bond obligation (currently totaling \$4,880,000.00 in outstanding principal amount) continues to the present time and will require approximately \$450,000.00 annually in principal and interest payments from the Mulligans Enterprise Fund through 2029; and

WHEREAS, this bond obligation has been determined by Bond Counsel and Underwriters to be redeemable without fees or penalties starting April 1, 2015; and

WHEREAS, principal of \$240,000.00 and interest of \$99,868.75 for a total payment of \$344,668.75 is due and payable on April 1, 2015, after which the remaining principal amount of the bond outstanding will be \$4,640,000.00; and

WHEREAS, the amount of City cash required under the terms of the bond to be held in reserve since September 2005 is \$724,031.00 – which amount will be freed-up upon full bond repayment, effectively reducing the new cash required to redeem the bonds; and

WHEREAS, a total of \$1,653,562.00 in future interest expense will be saved if the bonds were redeemed when callable on April 1, 2015; and

WHEREAS, a net present value (NPV) calculation identifies paying off these bonds as promoted by this Resolutions would produce a savings internal rate (IRR) of return of approximately 30%; and

WHEREAS, per city budget projections and discussion with the City Council as recently as February 26, 2015, the City of South Jordan has and can make available sufficient funds for the pay-off of the Mulligans bond on or about April 1, 2015; and

WHEREAS, the South Jordan City Council finds it in the best interest of the financial welfare for the residents of the City of South Jordan to pay-off of the Mulligans bond on or about April 1, 2015

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF SOUTH JORDAN CITY, UTAH AS FOLLOWS:

SECTION 1. Redemption. The City Council hereby directs the City Manager, Chief Financial Officer, and City Legal Counsel to make all financial and legal preparations, required notices and notifications and to redeem the Mulligans bond as of (or as soon as practical thereafter) April 1, 2015. In doing so, the City Council of the City of South Jordan affirms its position to retain and preserve ownership of the Mulligans property as publicly-owned open space for public

gathering and enjoyment and as an enhanced and beautiful gateway to the City of South Jordan.

SECTION 2. Funding. The total funds required to make the payment of approximately \$4,640,000.00 be allocated and made available from the following sources – a) \$724,031.00 from the bond reserve as referenced above, and b) approximately \$3,915,969.00 (remaining principal amount due, plus any accrued interest to the date of payment) from the Fiscal 2014 operating surplus. In doing so, the City Council has reviewed operational, projected and capital needs of the City and assures its residents that all necessary and required expenditures (including a third fire station) are incorporated in the budget under final design for the upcoming fiscal year.

SECTION 3. Accounting Treatment. The loan payoff will originate from the City's General Fund and be recorded as a non-interest-bearing loan receivable from the Mulligans Enterprise Fund. The Mulligans Enterprise Fund will reflect the total pay-off amount as a liability and be obliged for a minimum annual payment (starting on the first anniversary date of the loan) of \$20,000.00 in order to properly qualify this loan transaction under GASB authoritative guidelines. Loan repayments (beyond the minimum annual payment) from the Mulligans Enterprise Fund to the General Fund are addressed in the following section.

SECTION 4. Future Cash Flow. Upon redemption of the Mulligans bond obligation, approximately \$450,000.00 in annual payments (total of \$6,293,562.00) will no longer be required from the Mulligans Enterprise Fund to the bondholders – through the year 2029. This improved annual cash flow will serve these prioritized purposes: A) Ensure that the collective Mulligans operation generates positive cash flow each year – meeting its full obligations without requirement of cash supplement, loans, or no-charge services from other sources of cash within the City. B) Fund improvements to the Mulligans facilities, attractions, programs, and marketing efforts, consistent with a business plan for both improved quality/presentation of the facility, and its operating success. C) Contribute to planned and approved capital projects to further improve the offerings, attractiveness, and usability of the Mulligans property, as researched, presented, budgeted, and approved from time to time by the City Council. D) Repay the no-interest obligation to the City's General Fund as surplus and repayment amounts are determined from time to time by the City Council through its annual budgeting and approval process.

**APPROVED BY THE CITY COUNCIL OF THE CITY OF SOUTH JORDAN, UTAH,
ON THIS _____ DAY OF _____, 2015 BY THE FOLLOWING VOTE:**

	YES	NO	ABSTAIN	ABSENT
Mark Seethaler	_____	_____	_____	_____
Chuck Newton	_____	_____	_____	_____
Donald Shelton	_____	_____	_____	_____
Steve Barnes	_____	_____	_____	_____
Christopher Rogers	_____	_____	_____	_____